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AUTHOR	Morra, Linda G.
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ABSTRACT

The two major programs to help dislocated workers make the transition to new employment are Trade Adjustment Assistance (TAA) and Economic Dislocation and Worker Adjustment Assistance (EDWAA). Both programs have shortcomings that hamper their ability to help dislocated workers: they are slow in providing assistance, the services offered are often limited and not tailored to meet individual participants' specific needs, and neither requires states to collect information on participants and program effectiveness. The President's proposal to combine them into a single, comprehensive program that serves all dislocated workers regardless of the reason for their dislocation would eliminate confusion about eligibility and simplify service delivery. Availability of "skill grants" and income support would allow workers more flexibility in choosing the type of retraining they desire. Some questions remain unanswered: (1) whether assistance provided under the President's proposal would be more timely; (2) whether assistance would be tailored to the needs of individual workers; and (3) whether states would be required to provide sufficient information to determine the effectiveness and efficiency of the services provided. (YLB)

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DISLOCATED WORKERS

Comparison of Programs

Statement of Linda G. Morra
Director of Education and Employment Issues
Human Resources Division

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SUMMARY OF TESTIMONY BY LINDA MORRA
DISLOCATED WORKERS: COMPARISON OF PROGRAMS

The two major programs to help dislocated workers make the transition to new employment are Trade Adjustment Assistance (TAA) and Economic Dislocation and Worker Adjustment Assistance (EDWAA). In 1990, these programs provided training and employment assistance to over 300,000 workers. TAA assists workers who lose their jobs due to increased imports, while EDWAA provides services to all workers regardless of the reason for dislocation. The recent signing of the North American Free Trade Agreement (NAFTA) has fueled concern as to how best to help workers who lose their jobs as a result of the trade agreement.

BOTH TAA AND EDWAA HAVE SHORTCOMINGS. Both programs have shortcomings that hamper their ability to help dislocated workers. TAA and EDWAA are often slow in providing assistance to participants. When assistance is provided, the services offered are often limited and may not be tailored to meet the specific needs of individual participants. TAA provides participants additional income support after they exhaust their unemployment insurance benefits, which gives workers the option to enter long-term training; however, EDWAA generally does not. Neither program requires states to collect sufficient information on who was served, the services provided, or how participants fared after completing the programs to determine the effectiveness and efficiency of the services provided dislocated workers.

PRESIDENT'S PROPOSAL IS GOOD FIRST STEP. Combining TAA and EDWAA into a single, comprehensive program that serves all dislocated workers regardless of the reason for their dislocation will eliminate confusion about eligibility and will simplify the delivery of services. The availability of "skill grants" and income support will allow workers more flexibility in choosing the type of retraining they desire.

SEVERAL QUESTIONS STILL UNANSWERED. It is unclear whether assistance provided under the President's proposal will be more timely. As we have seen with EDWAA, the lack of a worker certification may not speed up delivery of services to dislocated workers. Another question is whether assistance provided under the President's proposal would be tailored to the needs of individual workers. For example, would workers who prefer on-the-job training (OJT) rather than classroom training be able to use their skill grant for OJT? For workers choosing occupational training, there is a question as to whether the $3,000 annual skill grant will be sufficient to support the training option selected. Finally, another question to be answered is whether the President's proposal will require states to provide sufficient information to determine the effectiveness and efficiency of the services provided.

Mr. Chairman and Members of the Committee:

We are pleased to be here today to discuss how to best help workers who lose their jobs because of business closures or permanent layoffs. Dislocated worker issues take on added importance in light of the recent signing of the North American Free Trade Agreement (NAFTA). Although most experts believe NAFTA will result in a net increase in jobs for the U.S. economy, they also agree that some job losses will occur. My testimony today will focus primarily on our recent work on the two major federal dislocated worker programs--Trade Adjustment Assistance (TAA) and Economic Dislocation and Worker Adjustment Assistance (EDWAA). I will also share with you our observations concerning the President's proposal to replace TAA and EDWAA with a single, comprehensive program.

We have found that both TAA and EDWAA have some shortcomings in how well they serve dislocated workers. Both programs are often slow in providing services to participants, and the services provided may not be tailored to each participant's needs. Income support needed to help participants complete training is often not available. Neither program collects sufficient information to adequately assess participant progress or measure program performance.

We believe the President's proposal to combine TAA and EDWAA into a single, comprehensive dislocated worker program is a step in the right direction. The proposal would eliminate confusion about participant eligibility and simplify the delivery of services to dislocated workers. However, many questions concerning the proposal need to be answered.

BACKGROUND

TAA and EDWAA were created to assist the approximately 1 million workers, annually, who lose their jobs due to business closures and permanent layoffs. TAA is an entitlement program that assists workers who lose their jobs because of increased imports. The Department of Labor determines the eligibility of groups of workers, and services are administered through the state and local offices of the Employment Service (ES). During fiscal year 1990, TAA served 38,500 dislocated workers at a cost of $150 million. Services include occupational and remedial training, job counseling, placement assistance, and support services, as well as job search and relocation allowances. TAA also provides up to 52 weeks of additional income support to its participants who exhaust their unemployment insurance benefits.

In contrast to TAA, EDWAA provides assistance to all dislocated workers regardless of the reason for their dislocation. EDWAA is funded through an annual appropriation, and the bulk of its funds are allocated to states based on state unemployment rates. Most of the funds are then passed through the states to a network of 628 Job Training Partnership Act (JTPA) service delivery areas, which are administered by councils composed of private and public sector representatives. During program year 1990, 288,000 workers were served at a cost of $390 million. Services provided under EDWAA are similar to those under TAA, except that EDWAA lacks TAA's additional income support feature.

The President's proposal would consolidate TAA and EDWAA into a single program providing services to all dislocated workers without regard to the cause of the dislocation. Workers would be eligible to receive three types of assistance--transition assistance, training assistance, and transition income support. Transition assistance would include skill assessment, counseling, job search assistance, and job referral services. Training assistance would

be provided in the form of "skill grants" or vouchers for a maximum of $3,000, annually, for up to 2 years. They could be used for technical or entrepreneurial training at colleges or other training institutions. In addition, transition income support would be provided to workers who have exhausted their unemployment insurance benefits and need supplemental income support to complete training programs.

EARLY INTERVENTION

Reaching workers before or at the time of layoff increases the chances for prompt reemployment; however, TAA and EDWAA frequently are slow in reaching dislocated workers. When help is available before or at the time of job loss, far more workers seek assistance, and those workers who receive timely assistance appear to find jobs sooner and earn more than they would have without such help.[1] However, we found that workers served by TAA and EDWAA are often unemployed for 15 weeks or more before they receive any training assistance. Our analysis of TAA and EDWAA in Michigan, New Jersey, and Texas showed that 65 percent of the TAA participants and 41 percent of the EDWAA participants did not receive training in their first 15 weeks of unemployment.

Delays in the delivery of TAA training assistance were generally due to the worker certification and notification process. For workers to receive assistance under TAA, the Department of Labor must certify that they were dislocated as a result of increased

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[1]See U.S. General Accounting Office, Plant Closings: Limited Advance Notice and Assistance Provided Dislocated Workers, (GAO/HRD-87-105, July 17, 1987; U.S. Congress, Office of Technology Assessment, Plant Closings: Advance Notice and Rapid Response Special Report, OTA-ITE-321, September 1986; and National Academy of Science, National Academy of Engineering, Institute of Medicine, Technology and Employment: Innovation and Growth in the U.S. Economy, 1987.

imports. The certification process can take up to 60 days after the workers petition for assistance. Once certified, workers must be notified of eligibility for assistance, which can take another 60 days. Thus, workers may have to wait 4 months before they receive assistance.

EDWAA does not have a certification requirement, yet assistance for many EDWAA participants is also slow in coming. EDWAA legislation requires that, in the event of a business closure or permanent layoff, state rapid response teams are to establish contact with the employer and employee representatives. State rapid response teams provide information on services that may be available from local sources, but workers must go to the local JTPA service delivery areas to obtain assistance. Therefore, contacts with the rapid response team do not guarantee that workers will receive timely assistance.

Under the President's proposal, the certification requirement would be eliminated, and all workers would be eligible for assistance without regard to the reason for their dislocation. This could speed up the delivery of services, but currently under EDWAA there is no certification requirement and service delivery is still slow.

TAILORED ASSISTANCE

The reemployment potential of dislocated workers is enhanced when assistance options and independent assessments tailor services to the varied skills and interests of workers and local job opportunities.[2] However, in some instances, the mix of services offered by TAA and EDWAA is limited, and assessments are performed

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[2]U.S. General Accounting Office, Dislocated Workers: Labor-Management Committees Enhance Reemployment Assistance (GAO/HRD-90-3, Nov. 21, 1989).

by service providers who have a vested interest in which services participants receive. As a result, participants may receive services that are not tailored to their specific needs. For example, TAA offers participants classroom training in a variety of occupations but generally does not offer the option of on-the-job training. Similarly, in some EDWAA projects, participants may be offered on-the-job training positions, but nothing in the way of basic skills training.

The President's proposal appears to provide greater training flexibility for participants. Participants would receive an assessment of their skills and counseling on occupational options. Those participants interested in training would be given skill grants or vouchers worth up to $3,000, annually, for up to 2 years to help meet the cost of their retraining. Vouchers could be redeemed at any qualified college or training institution.

However, there are some unanswered questions. One question in the President's proposal is who would provide the assessments and how independent they would be. Currently, some EDWAA projects rely extensively on service providers, who have a vested interest in which services participants receive, to assess the needs of participants.

Another question is the sufficiency of the $3,000 annual grant. Our analysis of training costs for TAA participants in our three-state analysis showed that about 20 percent of the participants had training costs that would exceed the $3,000 annual grant suggested in the President's proposal.

A third question is what would happen to workers who would prefer on-the-job training rather than classroom training. It is not clear how workers wishing to obtain on-the-job training would be served under the President's proposal.

INCOME SUPPORT

Many dislocated workers need income support to participate in classroom training. We found that the availability of additional income support after workers exhaust their 26 weeks of unemployment insurance benefits gives them the option to enter longer-term training. TAA provides up to 52 weeks of additional income support, and 84 percent of the TAA participants in our three-state analysis enrolled in training lasting 26 weeks or more. In contrast, participants in EDWAA generally do not receive additional income support after they have exhausted their unemployment insurance benefits, and only 31 percent were enrolled in training lasting 26 weeks or more.

The President's proposal would provide income support to participants regardless of the reason for dislocation. However, the lack of specific information on how eligibility would be determined is an open question that could greatly affect the program's potential impact and cost. The proposal says that dislocated workers who have exhausted their unemployment insurance benefits, have enrolled in training, and need supplemental income to complete training would be eligible for income support.

TRACKING PARTICIPANT PROGRESS AND PROGRAM PERFORMANCE

Finally, we believe the reporting systems that track participant progress and program performance are also critical to assuring that federal assistance to dislocated workers is effectively and efficiently provided. Gathering basic information on both TAA and EDWAA often has been difficult because the Department of Labor does not require states to provide reliable comprehensive information on

who the programs serve, the services they received, and how they fared after completing training. Even when states collect the information on their own, they do not collect the same types of information or their definitions are not consistent. Recent amendments to JTPA include additional reporting requirements that would extend to EDWAA. In addition, Labor has proposed some additional reporting requirements that would also extend to EDWAA. These additional requirements would require states to maintain individual participant files in a way that would allow administrators to assess who is being served, the specific services they received, and the outcomes achieved by specific groups of participants or related to specific services provided.

The President's proposal recognizes the need for extensive feedback from employers and workers, but does not comment specifically on reporting requirements. If reporting requirement similar to those proposed by Labor were included in the President's proposal, it would go a long way toward assuring that adequate information is available to track participant progress and assess program performance.

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Mr. Chairman, the President's proposal is a good first step in developing a program that provides comprehensive services to all dislocated workers regardless of the cause of their dislocation. However, some questions still need to be answered.

This concludes my prepared statement. I will be happy to answer any questions you or other members of the Committee may have.